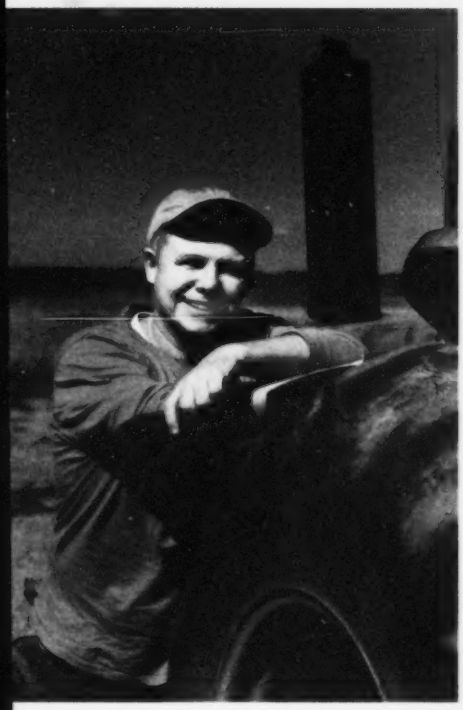

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

PAMI

ANNUAL REPORT 2009-2010

PROSPERITY THROUGH INNOVATION

PAMI: Year at a Glance

Ag Research

- 36 projects
- $1.6M project value
- Areas of work:
  - Cattle and forage (13)
  - Agri/bioenergy (10)
  - Livestock manure (5)
  - Grain production (5)
  - Ag-safety, other (3)
- $37M economic impact*
- 310 Jobs*

Learning and Growth

- 34% staff growth
- Continued investment in training

Ag Development

- 15 projects
- $785,000 project value
- Area of work:
  - Grain production technologies (5)
- $11M economic impact*
- 85 Jobs*

Ag Partnerships

- 77 activities
- Groundwork with stakeholders to open new opportunities for the ag sector
- Utilizing biomass and biofuels
- Re-tooling for new crop varieties
- Exploring new approaches to beef R&D
- Transforming livestock manure
- Exploring the opportunities of wind energy
- Advancing ag safety

Strategy

- Achievement of 3 key objectives

Information Services

- 35 events/activities: getting the word out
- Presentations
- Producer meetings
- Fact sheets, reports, articles
- Field days, tours
- Website enhancements
- Calculators

Other Projects

- 180 projects
- $8.4M project value
- Areas of work:
  - Military vehicles and equipment
  - Transport vehicles
  - Heavy industrial vehicles and equipment
- $485,000 reinvestment in Ag*

WESTEST

- 103 projects, across several industrial sectors
- Vehicle Performance Centre, ready for launch

*** Economic impact figures are estimates made by PAMI.**

Prairie Agricultural Machinery Institute

Annual Report 2009-2010

Prosperity Through Innovation

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Letters of Submission

PAMI

Humboldt, Saskatchewan
March 31, 2010

The Honourable Bob Bjornerud
Minister of Agriculture,
Government of Saskatchewan

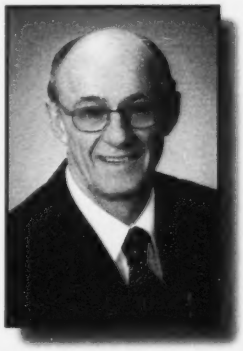
The Honourable Stan Struthers
Minister of Agriculture, Food and Rural Initiatives,
Government of Manitoba

It is my honour to present the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2010.

Respectfully submitted,

Tim Oleksyn
Board of Directors Chair
Prairie Agricultural Machinery Institute

Honourable Bob Bjornerud
Minister of Agriculture,
Government of Saskatchewan



Honourable Stan Struthers
Minister of Agriculture, Food
and Rural Initiatives,
Government of Manitoba

Saskatchewan
Ministry of
Agriculture

March 31, 2010

The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor,
Province of Saskatchewan
Chancellor of the Saskatchewan Order of Merit

Your Honour:

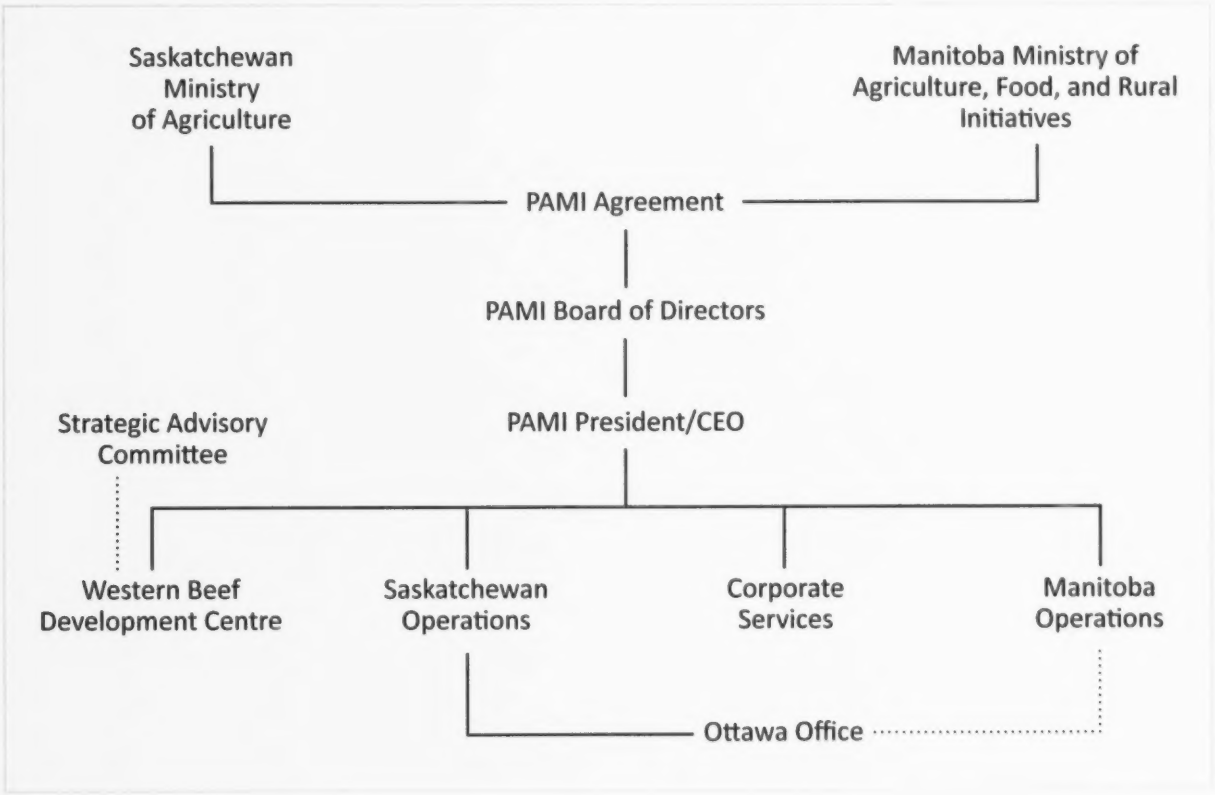
I have the honour to submit the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2010. It includes the financial statements audited by the Provincial Auditor.

Respectfully submitted,

Bob Bjornerud
Minister of Agriculture
Government of Saskatchewan

Prairie Agricultural Machinery Institute

Mission: Drive economic development by applying technologies in the agriculture sector in Manitoba and Saskatchewan.



PAMI

Board of Directors

- **Tim Oleksyn,** Chair and Saskatchewan Producer
- **Bill Zettler,** Vice-Chair and Manitoba Producer
- **Jerry Engel,** Representative of Agricultural Manufacturers of Canada
- **Dr. Abdul Jalil,** Representative of the Saskatchewan Ministry of Agriculture
- **Dr. Allan Preston,** Representative of Manitoba Agriculture, Food and Rural Initiatives

Corporate Management Team

- **David Gullacher,** President/Chief Executive Officer
- **Joanne Forer,** Vice President, Finance and Administration
- **Harvey Chorney,** Vice President, Manitoba Operations
- **Dr. Paul Jefferson,** Vice President, Western Beef Development Centre
- **James Wassermann,** Vice President, Saskatchewan Operations

Chairman's Message

As I begin my tenure as the chairman of the Prairie Agricultural Machinery Institute, I am impressed by the challenges and opportunities that our organization faces. Despite the economic climate, it is an exciting time to be playing an important role in agricultural research.

Research impacts the daily lives of producers. Historically, in times of economic uncertainty, the common practice was to scale back funding for research and development. I am proud of our stakeholders and partners who recognize that such activities are the key to *driving* the economy.

PAMI plays an intermediary role among producers, manufacturers, research organizations, and other industry stakeholders as we all strive to deliver meaningful value to the farm and ranch gate. Along the way, our organization has been shaped into an indispensible player in the Western Canadian economy.

At the heart of our activity is a multi-faceted exploration into technology and science. It starts with a foundation of a solid understanding of the challenges facing agriculture. Our research is fostered by a proactive orientation where we strive to anticipate the future needs and questions of our industry. By developing and applying innovation, we seek to enhance the sustainability and profitability of Canadian agriculture.

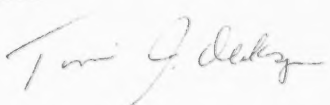
I thank Minister Bjornerud for appointing me to the chair of this progressive organization. PAMI enjoys a productive relationship with the Saskatchewan Ministry of Agriculture, the Manitoba Agriculture, Food and Rural Initiatives and other stakeholders. Through the collaborative nature of our relationship, we have access to strategic minds who serve our board of directors, brilliant researchers within the science community, effective regional specialists, and an extensive network of producers, ranchers, and others who share an interest in advancing agriculture. We are honoured that our government stakeholders have invested in PAMI the trust and authority to play a leading role in technology and innovation. Such a vote of confidence would not have been earned without the people who form PAMI.

PAMI is led by a group of directors, managers, and staff who are creative and productive. They have committed themselves to a flexible approach in achieving the ever-changing solutions that the agriculture industry is demanding. Not only do they involve themselves in primary research, but they are keenly aware of their role in disseminating information within the existing body of knowledge. The Western Beef Development Centre serves as a model for best practices in technology transfer, and it is a capability that is valued and celebrated across PAMI.

I welcome Jerry Engel to the board as he increases his involvement from the Board of WESTEST. I thank Dr. Allan Preston, Dr. Abdul Jalil, and Bill Zettler for their leadership through a period of transition. I congratulate Gary Anderson and our outgoing chairman, Lorne Christopherson, on the conclusion of their service to the PAMI board of directors. Lorne took a tremendous interest in agriculture, and his direction will be missed at the board table. Finally, I acknowledge the contributions of the WBDC Strategic Advisory Committee, whose names are listed on Page 12.

In the coming months as we head into a strategic planning session, we will look at how the world is changing, and what impacts these changes will have on agriculture. We will envision new ways to reach beyond the borders of Saskatchewan and Manitoba. In response to the future challenges of the industry, we will align ourselves with other organizations and continue to develop productive relationships. We also seek to increase our visibility and position PAMI as an indispensible organization that offers high quality programming and research.

I look forward to an exciting three years.



Tim Oleksyn
Chair, PAMI Board of Directors

President's Message

Looking back over the past year, the industries that we serve faced economic uncertainty. While PAMI felt tremors, we find ourselves in a growth situation because of the nimble team of leaders, management, and staff whose adaptability maintains our organization's relevance. There will continue to be ripple effects in the economy that could have negative impacts, but amid the turbulence, we seek the opportunities.

Agriculture is changing at an unprecedented rate. It is growing in sophistication and making use of improving technological capabilities. Where producers used to be the leading innovators of change, they now turn to industry with complex demands. Engineers and manufacturers are competing on responsiveness. PAMI's role within the equation is to work within the network of producers, designers, engineers, and manufacturers to find the best solutions for optimizing efficiency, productivity and profitability. We involve ourselves at the forefront among government, industry, and stakeholder groups to create, define, and articulate a vision for ways to make agriculture more globally robust.

Even the definition of agriculture is evolving. At the heart of it remains food and feed. However, fibre, fuel, and fractions are gaining attention. As a result, the need to be interdisciplinary is increasing. The flexibility and ingenuity of PAMI's staff is proving to be a competitive advantage. It enables us to expand our work within the branches of agriculture, and reach beyond the traditional boundaries of agriculture for the benefit of broader learning.

As we face the future, we keep a pulse on global trends and seek out opportunities for Western Canadian producers. We know that if we stay connected, innovative, flexible, and thrifty, we will retain our important role in the Western Canadian economy. Though we extend our reach, we remain firmly committed to our roots in agriculture. With the access to resources that we gain through working in adjacent fields, we bolster our research and apply our developing capabilities to agriculture.

Ten years ago, PAMI set out with an ambitious plan. Over the span of a decade, we sought to become a $10 million organization. On the strength of our people and infrastructure, we have exceeded the 10 x 10 Plan.

I would like to thank the Saskatchewan Ministry of Agriculture, and also Manitoba Agriculture, Food and Rural Initiatives for their investment of base-grant funding in PAMI. This provides the critical foundation upon which we build all of our activities and ventures. I would also like to thank all other funders that invest in specific programs or facilities at PAMI, allowing us to expand to meet the needs of progress in our region. Finally, I would like to thank our industry clients who provide the majority of our revenue through project work. PAMI truly is a meeting point of investment by our partners in government and industry, and we thank each for their contribution toward *prosperity through innovation*.

In the end, everything that we have accomplished has been realized because of the responsiveness of our people. They have the attitude to spot potential. They challenge the status quo and go beyond creating best practices to a point of expanding the capabilities of PAMI. With a strong foundation in agriculture and a flexible interdisciplinary approach, we embrace the challenges and opportunities of the future.

David Gullacher
President, PAMI

Strategic Direction

Vision

PAMI is a financially sound organization that has proactively supported Saskatchewan and Manitoba agricultural producers and industry as they make the shift from traditional commodity production to bio-product development. PAMI has assisted this transformation by providing product development solutions and services to small, medium, and large sized agri-businesses and other industry players.

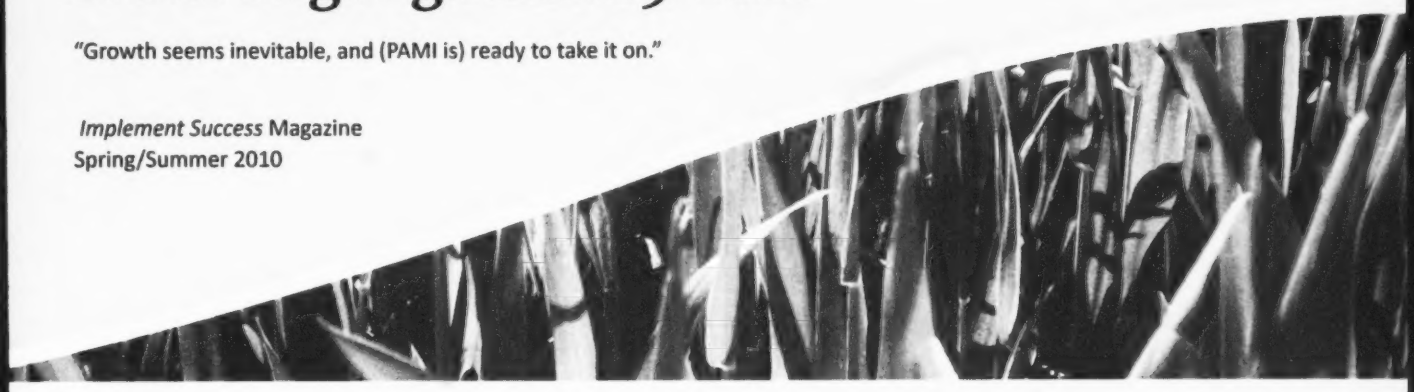
Objectives

- Establish a bioenergy and processing program within PAMI.
- Establish Manitoba's agricultural research and development division.
- Establish the Western Beef Development Centre as a key provider of applied livestock research.
- Establish stronger and formal partnerships with other players in the innovation chain.
- Increase awareness of the impact of PAMI activities among stakeholders.
- Develop the human resource base to meet PAMI's objectives.
- Renew and position PAMI in a changing environment.

PAMI Highlights 2009-2010

"Growth seems inevitable, and (PAMI is) ready to take it on."

Implement Success Magazine
Spring/Summer 2010



Bioenergy and Products

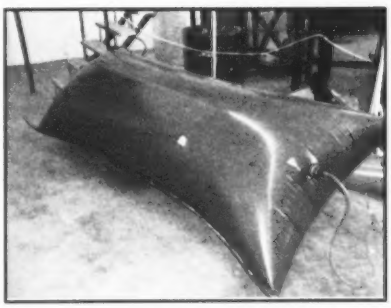
The Applied Bioenergy Centre (ABC) is a division of PAMI with a vision that Saskatchewan and Western Canada have the potential to build a bio-based economy, founded upon the utilization of agricultural products and bi-products for energy. With a goal of supporting and advancing the technology needed for prudent and practical bioenergy utilization, the Centre has numerous multi-year initiatives underway.

Solid State Anaerobic Digestion

The opportunity to convert biomass into energy is a significant opportunity in the field of agriculture. Anaerobic digestion is an area of research growth across Canada. While other regions are exploring the potential to convert liquid biomass into energy, solid state anaerobic digestion (e.g. using solid manure and wet distiller's grains) is a field of study that is being led in Saskatchewan at the ABC. A key component of the research, which is just getting underway, will be to examine the different factors that will enable bio-digestion in Saskatchewan's climate. By converting solid waste into a biogas suitable for energy production, agricultural producers could create their own future sources of clean energy for applications such as home heating and powering electrical grids.

A key project scheduled for summer 2010 is to develop a system that can perform solid state anaerobic digestion economically. The first trials are slated for fall 2010 when the main components of the system will be commissioned and tested, and a batch of active microbes will be generated for future trials.

One piece of equipment that is key to the process is the "bagger", which has generated a lot of interest for other projects. The bag composting system has been used for research on composting manure, and has been scheduled for several other bioenergy projects.



Air tightness is essential to bio-digestion. Where European research facilities create effective seals for their buildings, Saskatchewan's cold weather poses a challenge. The Saskatchewan solution is to use a bag composting system.

Liquid Anaerobic Digestion

PAMI is using a pilot-scale liquid anaerobic digester to develop feedstock formulations to optimize biogas production from liquid biomass such as manure. Using combined heat and power units, significant energy is being recovered for practical uses such as water heating systems, barns, and homes. Otherwise, the biomass would simply be waste.

Manure Research

Manure contains significant energy-producing potential, however, the challenge facing producers on the prairies is that the microbes need to be sustained by a certain temperature. PAMI has been conducting feasibility research to determine if it is more viable to infuse the bio-digester with heat, or to operate the system only during the summer.

Equipment evaluated included a Vibratory Shear Enhanced Process (VSEP) filtration system, and an anaerobic digester to convert solids.

An In-Vessel Composting project was supported by the Manitoba Livestock Manure Management Initiative to combat the problem of rising phosphorus levels on land and in the watershed. Using bag composting systems, PAMI will be blending settled solids from a lagoon with straw to create compost.

In the coming year, PAMI will be looking extensively at suitable technologies for manure treatment, and developing test methods to evaluate their effectiveness.

Biomass Crops

Non-traditional prairie crops, such as sorghum, established quite well in their first year.

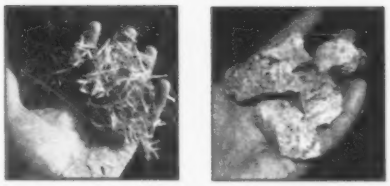
Biomass is the plant material that can be used for fuel or for other industrial processes. Typically, a crop is grown for cellulose, ethanol, oils, and other chemicals and products. The ABC is looking at the viability of producing the feedstock, and evaluating elements including harvesting, transportation, and utilization, to enhance the value of marginal land by essentially "growing energy."

Three demonstration plot sites were established in Prince Albert, Melfort, and Lake Lenore. A variety of non-traditional species were planted, including perennials such as switch grasses and miscanthus, and annuals like millet and sorghum. The first purpose was to see if they would establish under typical field situations. The trials were not strictly agronomic in nature, but they helped determine which crops might have potential as an alternative biomass resource compared to traditional grain crops.

The second goal of the research was to explore the suitability of the seeding requirements to traditional farm practices and equipment, and look at what equipment would be necessary for harvesting the crops. The yields to date have been impressive, suggesting that growing crops for energy could be viable. Biomass yields will be collected in Fall 2010. If the results are positive and industry support is generated, the demonstration study may be expanded to utilize two 5 ha plots of the most promising biomass crops.

Mobile Densification Project and Pelleting

Bulk is a significant obstacle facing the viability of solid biomass as an energy source. Through pelleting and cubing, the ABC is trying to reduce transportation costs from the field to the factory. Over the past year, getting the pellet mill and process line operating effectively has proven challenging. The issues are being resolved one by one, and the learning process has provided valuable information that will be critical in understanding what is required in utilization of bio-mass by-products. The ultimate target is to reach the energy density of low grade coal.



Reducing the bulk and improving the transportability is PAMI's key focus in enhancing the viability of solid biomass as an energy source.

Solid Fuel Combustion Centre Feasibility Study

While liquid fuels such as biodiesel and ethanol are opportunities, direct combustion of solid biomass is one of the most effective ways of capturing the maximum energy from bio-products. Agricultural residues are abundant on the prairies, but their use in traditional biomass combustion systems poses many challenges. Relevant equipment, such as furnaces and burners, are in their infancy. Over the past year, an investigation into the feasibility of biomass combustion systems for heating in Saskatchewan was completed. The next step is for the ABC to explore the technical and economic considerations for developing and testing such equipment to ensure the combustion of agricultural residues meets efficiency and emissions standards.

Biodiesel Performance Testing

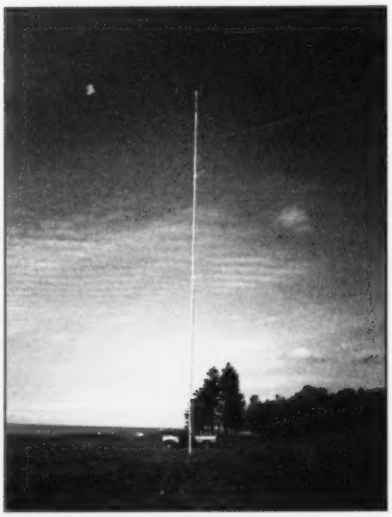
Agriculture and Agri-Food Canada and Natural Resources Canada provided funding for PAMI to evaluate the effects of storage on biodiesel. Research also incorporated data from Manitoba Agriculture, Food, and Rural Initiatives sponsored projects:

1. Biodiesel was distributed to ten Manitoba agricultural producers. They were asked to use it for a two-year trial to determine if it caused any problems with their agricultural machines.

2. A study on the effect of biodiesel blend on tractor performance revealed that increasing the biodiesel content in the fuel blend up to B20 does not result in a significant compromise in power.

With a growing public interest in biofuel, PAMI set out to study the effects of winter storage, and two-year storage, on the performance of biodiesel. After fuel and filter analysis, all blends of biodiesel met ASTM specifications and standards.

Long-term storage of biodiesel blends up to B20, for periods up to two years, did not adversely affect the quality of biodiesel to the point where it failed specification testing.



Wind Energy

Over the past year, PAMI was involved in wind energy research at eight locations across Manitoba that provided significant economic benefit to the province. PAMI's role has been at the placement and operation of meteorological towers to measure the viability and economic benefit of erecting windmills for energy production.

Agricultural Production Technologies

PAMI strives to serve the farmers of Western Canada through development services offered to the Agricultural Manufacturers of Canada and major industry players such as Case New Holland (CNH) and John Deere. These manufacturers supply the equipment that help PAMI groom its local expertise and engineering capabilities, providing a unique resource that understands the needs of prairie farmers.

Over the past year, PAMI has provided ongoing services for durability testing, field performance verification, developing machine design requirements, designing and implementing component modification, and developing equipment that will play an important role in the development of future equipment. Staff also provided consultation on the suitability of equipment for the Western Canadian market.

"PAMI is recognized as a force to be reckoned with in farm technology."

- *Implement Success* Magazine Spring/Summer 2010

On the crop production side of agriculture PAMI continues to support co-operators on long term studies of the effects of manure application as well as studies using more traditional fertilizers.

Mechanical treatments have been provided to help show the effect of handling on the viability of new seed varieties being developed.

Harvesting Equipment Performance

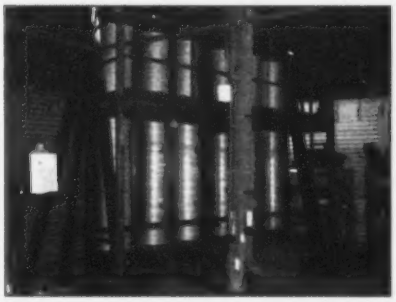
PAMI's Harvesting Technologies team has more than 150 years combined experience in evaluating, testing, and developing harvesting equipment for the prairie provinces. PAMI has provided manufacturers and farmers with harvesting expertise for prairie crops such as cereals, oil seeds, pulses, corn, soybeans, edible beans, canary seed, hay, fruit berries, and forage. This year, PAMI has been involved in combine and windrower field testing as well as the development of wider, high capacity combine headers to suit prairie crops and conditions.

Today's combines are able to achieve tremendous productivity. This increased productivity has driven combine headers wider to match combine capacity. Wider headers have posed additional design, manufacturing, function, and durability challenges that the harvesting team had to identify and address. Improving efficiency for the benefit of the producer will continue to challenge PAMI in the future.

Durability of harvesting equipment has always been critical for a successful harvest on the prairies. Since 2008, PAMI has been involved in the development and monitoring of lab test cells for agricultural equipment manufacturers, in order to improve durability of particular components on harvesting equipment for agricultural equipment manufacturers.

Natural Air Grain Drying

Laboratory trials for developing a computer assisted control for natural air drying have been completed. PAMI is moving to the second stage of verification on a farm scale bin and air system.



Natural air grain drying systems were developed on the prairies and elsewhere from the 1970s until the late 1980s. They allow extension of the harvest season by letting harvest begin earlier at higher grain moisture content, and to continue when grain is damp after rain showers.

Natural air drying provides savings in energy usage, and earlier harvest in wet years improves grain quality. However, the systems are currently not used to their full potential. A means of measuring bin moisture content to verify drying progress is needed to ensure that neither over-drying nor inadequate drying occurs.

Canola Storage Research

Through funding from the Canola Council of Saskatchewan and the Saskatchewan Ministry of Agriculture, PAMI is beginning a research project on canola storage. Equipment and parts have been purchased, and preliminary results will be available this year. The aim is to understand the duration of time canola can be stored without spoiling. Canola varieties of varying oil content levels will be tested, and the variables adjusted will include moisture content and temperature.

Based on the preliminary results, PAMI will develop larger scale tests. Research is scheduled for completion in April 2012.

Western Beef Development Centre

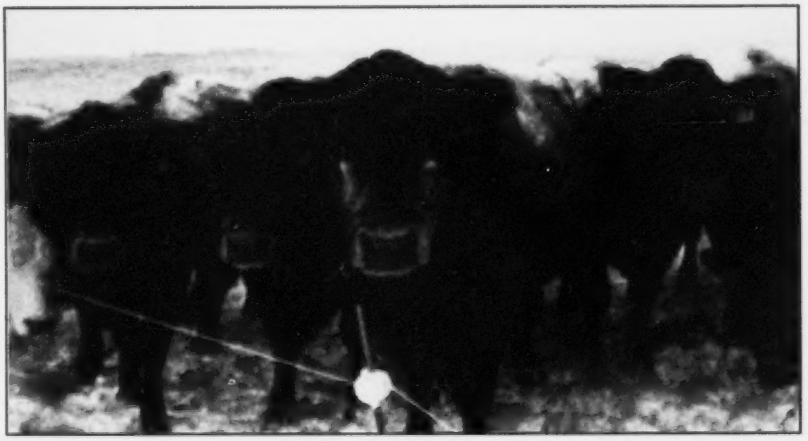
The Western Beef Development Centre (WBDC) enjoyed positive growth over the past year. Maintaining a herd of 302 cows, the Centre has expanded its staff and infrastructure resources. An important addition was the filling of a Beef Economist position, in which the WBDC welcomes back Kathy Larson. An office space was added to the Termuende Ranch, which will serve to host meetings and provide a central point for tours. In addition, upgrades were made to water supply equipment.

Research Highlights

Cost of Production

For benchmarking purposes, the WBDC has been collecting data on production costs for years in order to gain a snapshot of Saskatchewan's beef industry. In response to the valuable information the study was collecting, WBDC launched a project with AgMPower, a computer software developer, to help producers project their individual costs and savings by adjusting operational practices. In addition, through the anonymous collection of data, producers are helping discern average costs of production of beef producers in the province.

Cost of Production workshops were hosted around the province in late 2009 and early 2010, where the computer software was rolled out and participants were provided with the program for personal use.



Strategic Advisory Committee 2009-10

Producers

Tim Oleksyn (Chair)

Rick Toney

Duane Thompson

Murray McGillivray

Dave Kerr

Dennis Edwards

Brent Griffin

Researchers

Dr. John McKinnon
Animal & Poultry Science
University of Saskatchewan

Dr. Steve Hendrick
Western College of Veterinary
Medicine, University of Saskatchewan

Governmental Representatives

Greg Haase
Saskatchewan Ministry of Agriculture

Jim Armstrong
Saskatchewan Ministry of Agriculture

Rick Gaube
Agriculture and Agri-Food Canada

Dr. John Popp
Manitoba Agriculture, Food and Rural Initiatives

Time of Calving

With the conclusion of research, the study of early versus late calving systems is complete. The revelations are challenging paradigms within the Western Canadian beef industry, and producer interest has been substantial.

The study suggests that cows bred to calve late (May-June) recovered more body weight from breeding to weaning than cows on an early (March-April) calving system. Moreover, late born calves can be managed on a long backgrounding phase and a short finishing phase without compromising performance. This results in significant feed cost savings.

The average cost of production for backgrounded calves is $0.85/day in the drylot, and $0.65/day on swath-grazing. Some of the key savings resulted from the reduction of hauling feed and transporting away manure.

Backgrounding Calves on Annual Forages

Economies resulting from the maximized use of backgrounding systems, as supported by WBDC research, are influencing the beef industry. Swath-grazed calves require fewer days on feed during the finishing phase than animals on hay plus grain in a drylot, and their intake is lower.

The WBDC is engaged in more projects than ever before. A driver of this increase in activity is Saskatchewan's Agricultural Development Fund, as well as its Agricultural Demonstration of Practices and Technologies (ADOPT) program, which has funded projects relating to pasture rejuvenation, forage studies, no-till and herbicide systems, and other studies.

About the WBDC

The Western Beef Development Centre plays a vital role in the development of the Western Canadian cattle industry. As an intermediary, the WBDC communicates directly with the research community and the cattle industry. Practical and applicable research is used to provide technologies that enable producers to become increasingly competitive in today's marketplace.

As a division of PAMI, the WBDC has access to management and technical staff as well as a wide range of facilities and equipment. The WBDC operates the Termuende Ranch in Lanigan and a portion the Pathlow pasture near Melfort.

Western Beef
Development Centre
Division of PAMI

WESTEST

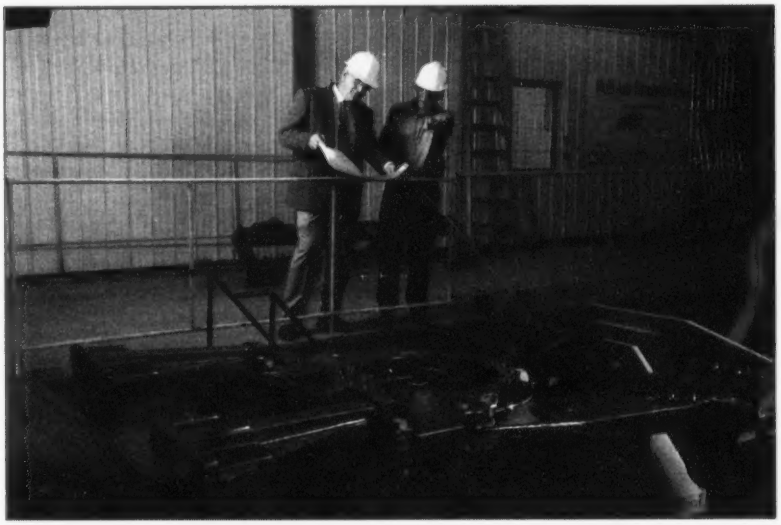
Western Canada Testing Incorporated (WESTEST) is an engineering and testing corporation which was created by five organizations. Although PAMI has no ownership in WESTEST, it helped in its creation and provides all operating functions of the corporation under a management agreement with the owners. Since its inception in 1991, WESTEST has acquired a considerable inventory of specialized test equipment. With operations in Manitoba and Saskatchewan, WESTEST facilities continue to provide significant benefit to manufacturers in the transportation, agriculture, and other related industries across Western Canada. WESTEST is guided by a board of directors elected by its owners, and is ISO 9001:2008 registered.

Vehicle Performance Facility

This past year, WESTEST constructed a new building for vehicle performance testing. An impressive feature of the new facility is the air exchange that will allow continuous operation.

Power train loading options include:

- *chassis dynamometer*
- *tow dynamometer*
- *PTO dynamometers*



"Over two decades, WESTEST has established leading-edge equipment, technologies and facilities that allow companies to entrust their R&D requirements to a world-class testing environment."

- Implement Success Magazine
Spring/Summer 2010

Project Highlights

In 2009-10, WESTEST conducted several projects on behalf of clients. All work for clients is confidential and can only be reported in general terms. In summary, WESTEST's ability to physically test designs under simulated conditions that amplify normal operation allows clients to quickly and effectively develop durable products with little to no uncertainty regarding their performance in service. This provides them with a substantial competitive advantage through rapid rollout of new products.

Board of Directors

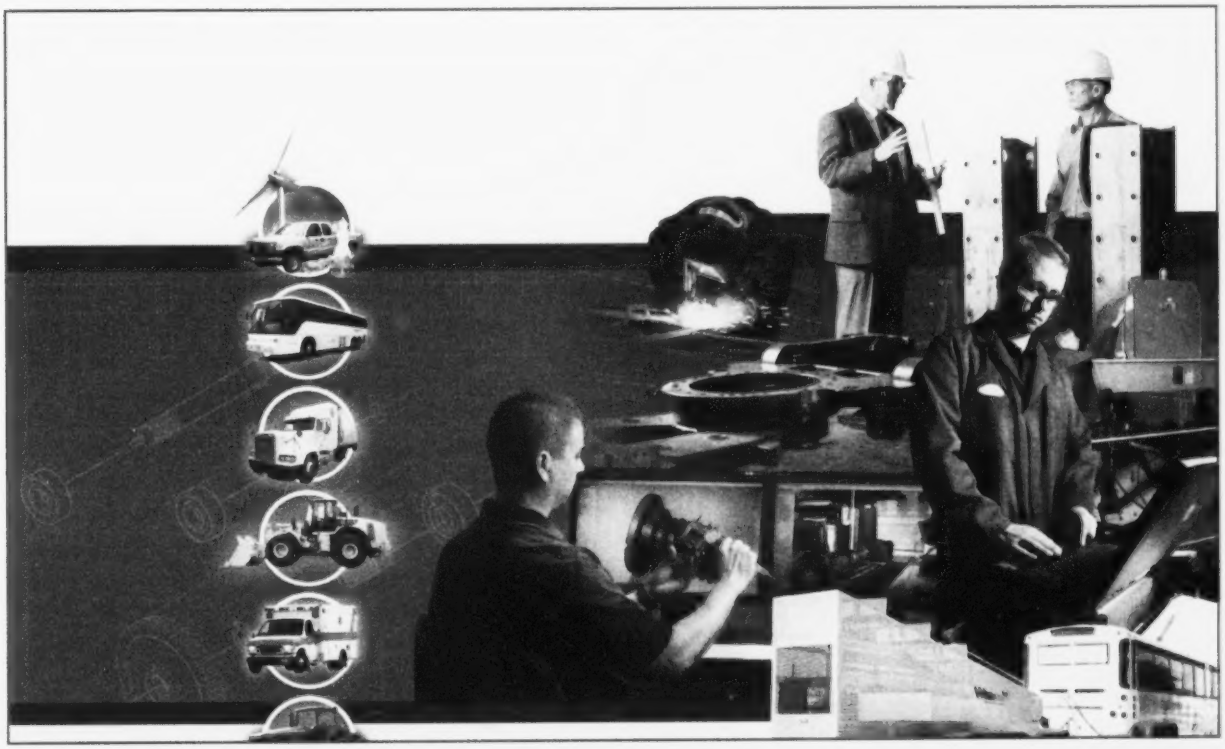
- Jerry Engel, Chair
- Rhonda Orr
- Pamela Schwann
- Rick Gierula
- Don Watt
- Ken Swaving
- Brad Nelson
- Carol Vibert
- James Umlah

Private service provision included:

- auger gearbox testing
- driveline test
- bus tunnel frame Multi-Axial Simulation Table test
- seat belt pull tests
- driver's seat tests
- plastic fuel tank durability test
- bus axle mount durability test
- vehicle frame durability test
- tractor loader durability test
- rollover protective structure design, build and test
- falling objects protection structure projects
- military projects

Branding

To improve its access to opportunities, WESTEST underwent a rebranding activity in 2009 whereby a new logo and website were developed. The new look communications are enhancing the marketability of WESTEST services.



Applied Technologies

The past year was an important capacity building year for PAMI to attain accreditation in order to diversity its testing services. Building on its ISO 9001:2008 certification, PAMI recently achieved the ISO 17025:2005 standard, and Standards Council of Canada accreditation for its equipment testing facilities. The achievement of SCC accreditation resulted from an investment through the Canada-Saskatchewan Western Economic Partnership Agreement, as supported by Enterprise Saskatchewan and Western Economic Diversification Canada.

SCC Accredited LAB
LAB Accrédité CCN TM

Farm Safety

PAMI VP James Wassermann is the Vice Chair of the Canadian Standards Association (CSA) Technical Committee on Agricultural Machinery. The committee maintains approximately 48 CSA standards that allow designers and engineers to develop new machines that meet national standards and international guidelines.

Rollover Protective Structures

PAMI's work on a pilot project in Western Canada, that resulted in 50 rollover protective structures (ROPS) being installed on older agricultural tractors across the pilot region, has gained considerable national interest. Currently, meetings are occurring to see if a nation-wide program can be initiated, based on the results. Besides the improved safety of those 50 tractors, the project defined the challenges of ordering and installing ROPS.

Safe Implement Hitching Guide

The CSA Agricultural Machinery Committee noted concerns from farmers across Canada about lack of knowledge of the proper procedures and equipment for hitching older implements to tractors. As a result, it asked PAMI to develop a guide to address the safety issues associated with implement hitching. With funding from the Association of Equipment Manufacturers and the Canadian Agricultural Safety Association, a committee including farmers, manufacturers, and other experts has assembled to produce a guide. The guide will be published on the PAMI website in fall 2010.

Street Sweeping

PAMI is a world-renowned organization in street sweeper technology. Currently, the organization is the only test agency approved to evaluate street sweepers with the RULE 1186 procedure, as developed in California, and applied in many municipalities.

After extensive work with the City of Toronto, PAMI is now working to help develop a European street sweeper test standard.

Portable Grain Auger Standard

In 2009-10, PAMI completed work with the Canadian Standards Association on developing a national standard for portable grain augers. With committee work complete, the standard is currently under public review and will likely be published later this year.

The purpose of this standard is to establish designs that reduce injuries resulting from augers. Auger intake guards were often removed by farmers for access purposes, and then not reattached, posing a safety concern. With the new standard, a retractable guard will be allowed, increasing the likelihood of it being replaced.

PAMI is involved in the development of personal protection systems on military equipment

National Defence and Law Enforcement

PAMI has secured Memorandums of Understanding (MOU) with the Department of National Defence (DND) and its research arm, Defence Research and Development Canada, and the Royal Canadian Mounted Police.

Through its MOU with DND, PAMI and the client will exchange engineering information and capabilities to support equipment development programs.

Information Services

One of PAMI's main objectives is information sharing. Using a number of communication tools, PAMI connects with producers, clients, and researchers. PAMI staff members provide valuable information through media and publicly issued news releases and articles, research summaries, and detailed reports. They also present at trade shows, field days, seminars, conferences, and industry meetings throughout the year, sharing information with other delegates and concerned audiences, through the use of relevant displays and publications.

The PAMI, WBDC, and WESTEST websites remain an important source of information, making valuable factsheets and reports available to producers and the public.

Combine Clinic

The rebirth of the "Combine Clinic," developed in concert with the Canola Council of Canada and delivered to over 350 attendees at the Crop Production show, was considered a strong indicator that there is a pent up demand for practical machinery information. This event generated several requests, and three more were delivered to local groups in conjunction with canola production days. Several more clinics of a more comprehensive nature are in the works for the coming year.

PAMI Staff

Corporate Management Team
David Gullacher, President/Chief Executive Officer
Joanne Forer, Vice President, Finance and Administration
Harvey Chorney, Vice President, Manitoba Operations
Paul Jefferson, Vice President, WBDC
James Wassermann, Vice President, Saskatchewan Operations

Administrative and Financial Services
Carol Bergermann, Controller
Myrna Britz, Quality Systems Coordinator
Marina Haeusler, Resource Scheduler
Ryan Keller, Shipper/Receiver
Maurina Kimmen, Administrative Assistant
Dianne Lepage, Administrative Assistant
Marilyn Malinski, Accounting Supervisor
Amanda Outingdyke, Administrative Supervisor, Quality Systems Coordinator
Marjorie Schmidt, Administrative Assistant
Laurie Szautner, Administrative Supervisor

Communications Services
Sharon Doepker, Research Librarian
Brenda Freistadt, Communications Assistant

Western Beef Development Centre
Tyler Dick, Ranch Hand
Dr. Herbert Lardner, Senior Research Scientist
Kathy Larson, Beef Economist
Jonathan Pearce, Assistant Ranch Supervisor
Leah Pearce, Ranch Research Technician
Jason Ritco, Assistant Ranch Supervisor
George Widdifield, Ranch Supervisor

Technical Services
Joy Agnew, Project Leader
Jenna Bauml, Electronics Support
Jason Bendel, Electronics Engineering Technologist
Tyrell Bjarnason, Project Leader
Gregory Burton, Computers and Electronics Supervisor
Scott Butler, Project Leader
Ken Carmichael, Computer Systems Administrator and Instrumentation Supervisor
Terry Carr, Assistant Manager, Package Testing
Robert Cropper, Project Leader
Les Funk, Project Technologist
Nathan Gregg, Project Leader
Lorne Grieger, Manager, Agriculture Research and Development
Sheldon Grywacheski, Project Leader
Jason Harmon, Computer Systems Administrator
Brent Hergott, Project Technologist
Les Hill, Manager, Agriculture and Bioresources
Larry Jorgenson, Project Leader
Dave Kelly, Project Leader
Ryan Kolonosky, Electronics Engineering Technologist
Murray Kosokowsky, Project Leader
Lyle Kotyk, Project Engineer
Dr. Hubert Landry, Project Leader
Philip Leduc, Manager, Research and Development
Troy Lucyshyn, Manager, Industry and Resources
Patricia Lung, Project Leader
Bryan Lung, Project Leader
Mark Marianchuk, Project Leader
Gary Niekamp, Project Leader
Greg Pascal, Electronics Support
Peter Rhodes, Project Leader
Derek Rude, Project Leader
Wayne Stock, Project Technologist
Steve Swiddle, Manager, Mechanical Testing
Alan Whittaker, Project Leader
John Wiebe, Electronics Support

Shop Services
Ted Bay, Shop Supervisor
Rob Cameron, Fabricator
Lawrence Classen, Fabricator
Cam Cleaver, Shop Technician
Tyler Dies, Fabricator
Gordon Doepker, Shop Technician
Tyler Freriks, Shop Support
Aaron Gaudreau, Shop Technician
Scott Kennedy, Mechanic
Garth Muyres, Shop Technician
Lorne Niekamp, Shop Support
Darryl Perlett, Fabricator
Andrew Rauert, Fabricator
Art Smith, Supervisor
Blair Thiemann, Fabricator
Daniel Washkosky, Shop Support

Financial Statements

Prairie Agricultural Machinery Institute
Financial statements for the year ended March 31, 2010.

Management Report

To the Members of the Legislative Assembly of Saskatchewan:

Year Ended March 31, 2010

The accompanying financial statements are the responsibility of the management of the Prairie Agricultural Machinery Institute. They have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and the accounting systems provide accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management's responsibilities are properly discharged, to review and approve the financial statements. The Provincial Auditor of Saskatchewan has audited PAMI's financial statements in accordance with Canadian generally accepted auditing standards and his report follows.

David Gullacher
President and CEO

Joanne Forer
V.P. Finance and Administration

Audit Reports

Financial Statement Audit Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of Prairie Agricultural Machinery Institute as at March 31, 2010 and the statements of revenues, expenses and net assets, and cash flows for the year then ended. The Institute's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 29, 2010

Brian Atkinson, FCA
Acting Provincial Auditor

Legislative Compliance Audit Report

To: The Members of the Legislative Assembly of Saskatchewan

I have made an examination to determine whether the Prairie Agricultural Machinery Institue (Institute) complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended March 31, 2010:

The Prairie Agricultural Machinery Institute Act, 1999
The Prairie Agricultural Machinery Institute Regulations, 1999
Orders in Council pursuant to the above Act
Minister's Orders pursuant to the above Act

My examination was made in accordance with standards for assurance engagements published in the CICA Handbook - Assurance, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the Institute has complied, in all signficant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 2010.

Regina, Saskatchewan
June 29, 2010

Brian Atkinson, FCA
Acting Provincial Auditor

Internal Control Audit Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the Prairie Agricultural Machinery Institute's (Institute) control as of March 31, 2010 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.

- To prepare reliable financial statements.

- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgments about the effectiveness of the Institute's control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

The Institute's management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements published in the CICA Handbook - Assurance. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of the Institute's control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, the Institute's control was effective, in all material respects, to meet the objectives stated above as of March 31, 2010 based on the CICA criteria of control framework.

Regina, Saskatchewan
June 29, 2010

Brian Atkinson, FCA
Acting Provincial Auditor

Statement 1

Balance Sheet as at March 31

	2010	2009
Assets		
Current:		
Cash	$ 11,243	$ 2,330
Due from General Revenue Fund (Note 4)	353,986	312,049
Accounts receivable	3,057,956	2,151,543
Prepaid expenses	177,455	200,597
Inventory	241,553	105,324
	$ 3,842,193	$ 2,771,843
Restricted cash – General Revenue Fund	2,819,952	3,351,457
Property, plant and equipment (Note 5)	3,864,532	3,305,873
Breeding herd (Note 6)	302,180	387,600
Intangible assets (Note 7)	-	29,597
	$ 10,828,857	$ 9,846,370
Liabilities and Net Assets		
Current:		
Bank indebtedness (Note 8)	$ 248,660	$ 201,776
Accounts payable and accrued liabilities	1,245,662	899,644
Unearned revenue	422,792	328,134
	$ 1,917,114	$ 1,429,554
Deferred capital grants	2,289,922	2,309,175
Due to Government of Alberta (Note 9)	-	4,743
Deferred grant revenue – ABC (Note 10)	2,858,574	3,208,193
	$ 5,148,496	$ 5,522,111
Total liabilities	7,065,610	6,951,665
Net assets (Statement 2)	3,763,247	2,894,705
	$ 10,828,857	$ 9,846,370

Commitments (Note 11)

See accompanying notes to financial statements.

Statement 2

Statement of Revenues, Expenses and Net Assets for the Year Ended March 31

	Budget (note 16)	2010	2009
Revenues			
Provincial transfers:			
Government of Saskatchewan			
Ministry of Agriculture			
- operating	$ 995,000	$ 1,040,800	$ 925,000
- capital	218,000	289,734	267,702
ABC (Note 10)	300,000	358,054	220,915
Horned Cattle Fund (Note 14)	-	120,285	114,407
Government of Manitoba			
Department of Agriculture, Food and Rural Initiatives			
- special biomass development	-	64,000	450,000
- operating	259,682	259,682	259,682
	$ 1,772,682	$ 2,132,555	$ 2,237,706
Fee for service	8,528,227	9,413,537	6,884,468
Interest income	7,500	1,917	7,864
Other income	294,980	254,532	181,588
Total revenues	$ 10,603,389	$ 11,802,541	$ 9,311,626
Expenses			
Salaries and benefits	5,173,813	5,509,563	4,465,206
Other operating	4,777,909	5,005,163	4,218,340
Amortization	369,600	419,273	385,086
Total expenses (Schedule 1)	$ 10,321,322	$ 10,933,999	$ 9,068,632
Excess of revenues over expenses	282,067	868,542	242,994
Net assets, beginning of year	2,894,705	2,894,705	2,651,711
Net assets, end of year (Statement 1)	$ 3,176,772	$ 3,763,247	$ 2,894,705

See accompanying notes to the financial statements.

Statement 3

Statement of Cash Flows for the Year Ended March 31

	2010	2009
Cash flows from (used in) operating activities:		
Receipts from customers and others	$ 8,881,571	$ 7,291,547
Transfers from Government of Saskatchewan	1,169,520	1,134,483
Transfers from Government of Manitoba	323,682	709,682
Payments to suppliers and employees	(10,300,408)	(8,883,465)
Interest paid	(11,231)	(24,024)
Interest received	1,917	7,864
	$ 65,051	$ 236,087
Cash flows from (used in) investing activities:		
Purchase of property, plant and equipment	(875,947)	(315,374)
Purchase of breeding herd	-	(118,957)
Proceeds from sale of property, plant, equipment and breeding herd	12,876	8,615
	$ (863,071)	$ (425,716)
Cash flows from financing activities:		
Receipt of capital grants	244,996	-
Receipt of capital grants from Government of Saskatchewan	25,485	6,500
Decrease in restricted cash	531,505	381,366
	$ 801,986	$ 387,866
Net increase in cash position	3,966	198,237
Cash position, beginning of year	112,603	(85,634)
Cash position, end of year	$ 116,569	$ 112,603
Comprised of:		
Cash	11,243	2,330
Due from General Revenue Fund	353,986	312,049
Bank indebtedness	(248,660)	(201,776)
	$ 116,569	$ 112,603

See accompanying notes to the financial statements

Notes to the Financial Statements

March 31, 2010

1. Status of Institute

The Prairie Agricultural Machinery Institute (Institute, PAMI) is a body corporate operating under *The Prairie Agricultural Machinery Institute Act, 1999*. Its primary purpose is to perform tests and conduct research on machinery, equipment and technologies used in the agriculture and food industries. The Institute's testing facilities are located in Humboldt and Lanigan, Saskatchewan and Portage la Prairie, Manitoba.

On wind-up, any net assets will be divided between the Governments of Saskatchewan and Manitoba in proportion to their respective share in the Institute's assets equivalent to the percentage of funding provided to date by each province.

The Institute's objective when managing its capital structure, which consists of net assets, is to ensure adequate funding exists to support its operations and growth strategies. Capital is managed through grant funding and an available line of credit. The Institute does not have any long-term debt.

The Institute relies on funding from the Governments of Saskatchewan and Manitoba and on one customer for continued fee for service revenue. This customer accounts for 64% (2009 - 46%) of its fee for service revenue and 62% (2009 – 48%) of accounts receivable.

2. Significant accounting policies

Pursuant to standards established by the Public Sector Accounting Board (PSAB), the Institute is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles for business enterprises. The significant accounting policies are as follows:

a) Revenue recognition

The Institute recognizes provincial transfers when received or receivable. The Institute's operations are funded by the Government of Saskatchewan (Saskatchewan) and the Government of Manitoba (Manitoba) according to an agreement between the two provinces. Under Order in Council 1800/79, the Institute is not required to return the unused portion of the provincial transfers.

The Institute recognizes fee for service revenue when the related services are provided. It recognizes fee for service on contracts and subscriptions using the percentage of completion method. It records monies received prior to providing services and subscriptions received for future periods as unearned revenue.

The Institute defers capital grants received from related parties for property, plant and equipment until the related assets are put in use and amortized. It recognizes capital grants as revenue equal to the amount of amortization charged for those assets. Unspent capital grants are recorded as restricted cash.

The Institute defers grants received from the Ministry of Agriculture for the purchase of a beef research herd and the establishment of the PAMI Applied BioEnergy Centre (ABC) and related interest earned. Interest earned on these amounts is recorded in deferred capital grants and deferred grant revenue - ABC respectively. It recognizes grants as revenue as funds are used for the intended purpose. Unspent grants are recorded as restricted cash.

b) Inventory

Inventory of livestock and feed is recorded at the lower of cost and net realizable value. Livestock inventory cost is determined using the weighted average method and feed inventory cost is determined using the first-in, first-out method.

c) Property, plant and equipment, leasehold improvements

Property, plant and equipment, and leasehold improvements costing over $1,000 are recorded at cost less accumulated amortization. Self-constructed assets are recorded at cost, including labour and materials. Amortization is recorded using methods and rates intended to amortize the cost of assets over their useful life.

	Method	Rate
Buildings	declining balance	5%
Equipment, furniture, and vehicles	declining balance	10%
Computer equipment	declining balance	30%
Leasehold Improvements	straight line	10%
Computer Software	straight line	33%

d) Intangible assets

Intangible assets are recorded at cost less accumulated amortization. These assets are being amortized over their estimated useful life of five years. The year 2010 was the final year of amortization.

e) Breeding Herd

The breeding herd is recorded at cost. This asset is being amortized at 20% declining balance.

f) Financial instruments

Financial instruments are classified into one of the following categories: held for trading, held to maturity, available for sale, loans and receivables, and other financial liabilities. PAMI has no financial instruments classified as held to maturity or available for sale. There are no financial instruments which give rise to other comprehensive income.

Held for trading:

The Institute has classified the following financial assets and liabilities as held for trading: cash, due from General Revenue Fund, restricted cash - General Revenue Fund, and bank indebtedness.

Held for trading financial instruments are subsequently measured at their fair value.

Loans and receivables:

The Institute has classified accounts receivable as loans and receivables. These financial assets are initially recognized at their fair value approximated by the instrument's initial cost.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Net gains and losses arise upon derecognition and/or impairment and are recognized in excess of revenue over expenses.

Other financial liabilities:

The Institute has classified the following financial liabilities as other financial liabilities: accounts payable and accrued liabilities and due to Government of Alberta. These liabilities are initially recognized at their fair value approximated by the instrument's initial cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial asset impairment:

The Institute assesses impairment of all its financial assets, except those classified as held for trading. Management considers many factors in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year earnings.

g) Use of estimates

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

h) Recent accounting policies

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation to replace Section 3861 Financial Instruments – Disclosure and Presentation. The effective date for these new Sections was for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, with earlier adoption permitted. However, in light of the uncertainty regarding the future direction in setting standards, the CICA released a decision to allow deferral of Sections 3862 and 3863. As such, the Institute should continue to apply Section 3861.

3. Future accounting changes

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has confirmed that International Financial Reporting Standards (IFRS) will replace current Canadian generally accepted accounting principles for fiscal years beginning on or after January 1, 2011, for publicly accountable enterprises. Further, the Introduction to the Public Sector Accounting Board's (PSAB) Recommendations has been revised to reduce the number of categories of entities within the scope of the standards and to allow "other government organizations" to choose the PSAB accounting standards or IFRS as an accounting framework. The Institute has determined that PSAB accounting standards will be adopted effective for the fiscal year ended March 31, 2011. The changeover plan is still in the early stages and, as such, the impact of adopting the PSAB accounting standards on the Institute's financial reporting has not been determined.

4. Due from General Revenue Fund

Due from General Revenue Fund is money held in a bank account included in the Government of Saskatchewan's Consolidated Offset Bank Concentration arrangement. The Institute receives interest on a quarterly basis from the General Revenue Fund calculated using the Government of Saskatchewan's thirty-day borrowing rate and the Institute's average daily bank account balance. For 2010, the average interest rate was .27% (2009 – 1.95%).

5. Property, plant and equipment

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	$ 4,560,939	$2,601,797	$1,959,142	$1,738,927
Equipment	2,707,988	1,543,792	1,164,196	965,604
Land and improvements	279,841	-	279,841	279,841
Furniture	149,717	112,274	37,443	30,903
Vehicles	497,568	302,535	195,033	178,794
Computer equipment	493,295	399,730	93,565	74,779
Leasehold improvements	120,524	19,318	101,206	37,025
Computer software	13,405	4,468	8,937	-
Asset under construction	25,169	-	25,169	-
	$ 8,848,446	$4,983,914	$ 3,864,532	$3,305,873

Asset under construction has not been amortized as this asset is not available for operations at year end.

6. Breeding herd

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Breeding Herd	$ 545,834	$243,654	$ 302,180	$387,600

The breeding herd consists of cows that will be used for beef research in the operations of the Western Beef Development Centre.

7. Intangible assets

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Intangible assets	$ 147,987	$147,987	-	$29,597

As part of the transfer of the operations of Western Beef Development Centre to PAMI, the Institute obtained the Centre's trade name, logo and mailing lists for its use in future operations.

8. Bank indebtedness

The Institute is authorized to borrow up to $1.0 million under its legislation. The Institute has established a line of credit of $800,000 with a bank and assigned its accounts receivable as collateral. It incurs interest at the bank's prime rate which was 2.25% (2009 – 2.5%).

9. Due to Government of Alberta

When the Government of Alberta terminated its participation in 1988, the Institute, by agreement, owed Alberta 35% of the Institute's net assets as of March 31, 1988. In lieu of transferring net assets to the Government of Alberta, the Institute has agreed to perform services for Alberta. During the year the Institute paid the remaining amount due to the Government of Alberta.

10. Deferred grant revenue – Applied BioEnergy Centre (ABC)

In March 2007, PAMI and the Ministry of Agriculture (Ministry) signed a Memorandum of Understanding (MOU) under which PAMI received $3.3 million to create a research program in bio-energy and processing. PAMI received the funds in April 2007. Pursuant to the MOU, PAMI and the Ministry negotiated an agreement which established guidelines on how the $3.3 million would be spent. During 2009-10, PAMI received approval from the Ministry to spend $358,054.

Balance, beginning of year	$ 3,208,193
Earned interest	8,435
Grant recognized	358,054
Balance, end of year	$ 2,858,574

11. Commitments

The Institute has committed to provide future services to several research and development projects. At March 31, 2010, the value of these services totals $329,788 (2009 - $338,257).

Lease terms on equipment and land range from 3 to 7 years. In 2010, these lease costs totalled $76,333 (2009 - $58,123). The Institute is required to make the following minimum lease payments on these leases:

2011	$27,931
2012	15,434
2013	11,161
2014	1,181
2015	-

12. Financial instruments

a) Fair value of financial instruments

The fair value of the following financial assets and liabilities approximates their carrying value due to their short-term nature:

Cash, restricted cash- General Revenue Fund and due from General Revenue Fund;
Accounts receivable;
Bank indebtedness; and
Accounts payable and accrued liabilities

b) Credit risk

The Institute is exposed to credit risk from the potential non-payment of accounts receivable. The credit risk on these accounts receivable is minimal because most contracts are with provincial and/or federal governments or well-established large private companies.

c) Risk management policy

Although PAMI does not have a risk management policy, the Institute has approved a number of policies relating to risk management including Quality Assurance.

d) Liquidity risk

Liquidity risk is the risk that the Institute will encounter difficulty in meeting obligations associated with financial liabilities. The Institute enters into transactions to purchase goods and services on credit. Liquidity risk is measured by reviewing the Institute's future net cash flows for the possibility of a negative net cash flow. The Institute manages the liquidity risk resulting from its accounts payable by establishing a $800,000 line of credit.

13. Related party transactions

These financial statements include transactions with related parties. The Institute is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. The Institute is also related to all Manitoba Crown agencies because of the Government of Manitoba's participation in the operations of the Institute. In addition, the Institute is related to non-Crown enterprises that the Government of Saskatchewan or the Government of Manitoba jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. Those transactions and amounts outstanding at year-end are as follows:

	2010	2009
Financial statements category		
Fee for service revenue	$1,422,300	$ 1,630,047
Other operating expenses	936,455	823,371
Accounts receivable	360,527	477,267
Accounts payable and accrued liabilities	78,683	67,356
Unearned revenue	358,483	301,954

PAMI has leased land from the University of Saskatchewan for a nominal amount until 2012. In addition, the Institute pays Saskatchewan and Manitoba provincial sales tax on its taxable purchases made in those provinces. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

14. Contractual arrangements

Under contract with Western Canada Testing Inc. (WESTEST), the Institute manages and operates WESTEST under the direction of WESTEST's Board of Directors for a certain percentage of the service fees from WESTEST clients. During the year, the Institute earned fee for service revenue of $432,865 (2009 - $361,452) from WESTEST. At year-end, accounts receivable includes $209,535 (2009 - $29,523) due from WESTEST.

The Institute has an agreement with the Horned Cattle Fund (a related party) for the use of the Fund's original herd of 300 head of cattle. The Institute is responsible for the care, feeding, housing and management of the herd. In September 2007, an agreement was entered into whereby PAMI shall return to the province or arrange for the sale of 100 cows per year at the option of the Province. The proceeds from the sale of the cows belongs to Horned Cattle Fund. PAMI receives proceeds from the sale of the Horned Cattle Fund calves. The Fund's remaining herd is 0 (2009 – 99) head of cattle.

15. Pensions

The Institute's employees participate in either the Saskatchewan Public Service Superannuation Plan, a multi-employer defined benefit pension plan, or the Saskatchewan Public Employees Pension Plan, a multi-employer defined contribution pension plan. The Institute's responsibility is limited to paying the required employer contributions for its employees. Salaries and benefits include contributions of $255,879 (2009 - $206,780).

16. Budget

The budget for 2009/2010 was approved by the Board on April 2, 2009.

17. Comparative figures

The 2008-09 comparative for commitments in note 11 has been restated.

18. Contingency

At year-end an action was outstanding against the Institute, of which the ultimate outcome is not yet determinable and accordingly, no liability has been recorded in the financial statements.

Schedule 1

Schedule of Expenses for the Year Ended March 31

	Budget (Note 16)	2010	2009
Salaries and benefits	$ 5,173,813	$ 5,509,563	$ 4,465,206
Supplies and services	4,603,675	4,926,566	4,069,805
Amortization	369,600	419,273	385,086
Lease – land and equipment	65,584	70,273	53,255
Loss on disposal of assets	36,000	21,086	15,707
Interest expense	10,150	11,231	24,024
Honoraria	5,500	6,007	1,908
Bad debt expense (recovery)	57,000	(30,000)	53,641
	$ 10,321,322	$ 10,933,999	$ 9,068,632

Prairie Agricultural Machinery Institute

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Prosperity Through Innovation

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